

Hackley Public Library  
Muskegon County, Michigan

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

June 30, 2008

Hackley Public Library

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### Brief Discussion of the Basic Financial Statements

This report consists of three parts -- *management's discussion and analysis (this section), the basic financial statements, and required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These financial statements focus on current resources and provide a detailed view about the Library's sources and uses of funds.
- The "Adjustments" column of the financial statements represents adjustments necessary to convert the modified accrual statements to the government-wide financial statements under the full accrual method.
- The third column provides both long-term and short-term information about the Library's overall financial status. The "Statement of Net Assets" and the "Statement of Activities" provide information about the activities of the Library as a whole and present a longer term view of the Library's finances.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

### Condensed Financial Information

#### Statement of Net Assets

Current assets increased by \$104,344 due primarily to an increase in net assets. Capital assets increased due to investments in technology and materials. Current liabilities increased due to normal fluctuations at the end of the year. The funds restricted for collection expenses are funds donated by Edwin E. Valentine for "the acquisition of books and for the restoration, maintenance, and improvement of the collection". Unrestricted net assets are not restricted and are available for operating expenses.

#### Statement of Net Assets

	2008	2007
Current assets	\$ 1,798,192	\$ 1,693,848
Capital assets, net	642,146	627,725
Total assets	2,440,338	2,321,573
Current liabilities	82,695	66,798
Net assets		
Invested in capital assets	642,146	627,725
Restricted for collection expenses	354,585	342,587
Unrestricted	1,360,912	1,284,463
Total net assets	\$ 2,357,643	\$ 2,254,775

# Hackley Public Library

## Library Management's Discussion and Analysis

### Statement of Activities

The table below shows key financial information under the full accrual method in a condensed format. Amounts and totals reported are for all Library activities, including general operations, improvements, and gift activity in order to give a complete picture.

	2008	2007
General revenues		
Property taxes	\$ 1,817,059	\$ 1,764,260
Grants and contributions	153,993	132,270
Fines and forfeitures	124,935	147,433
Other	69,761	77,701
Total revenues	2,165,748	2,121,664
Expenditures		
Salaries and wages	1,099,366	1,063,591
Fringe benefits	440,368	430,279
Contracted services	79,382	84,286
Depreciation	233,830	199,914
Other expenses	209,934	210,882
Total expenses	2,062,880	1,988,952
Change in net assets	102,868	132,712
Net assets at beginning of year	2,254,775	2,122,063
Net assets at end of year	\$ 2,357,643	\$ 2,254,775

The above condensed Statement of Activities is focused on the change in the Statement of Activities.

### Revenues

- Grants and contributions increased due to two significant donations during the year.
- Penal fines continued a multi-year decline in revenues.

### Expenditures

- Fringe benefits had a minimal increase for the year due to a one time credit from the Michigan Public School Employees' Retirement System.
- Depreciation increased due to continued additions to the collection.

# Hackley Public Library

## Library Management's Discussion and Analysis

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### **The Library's Fund**

The analysis of the Library's sole fund, the General Fund, is included on pages 2 and 3. The Library Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Library's major fund consists solely of the General Fund.

The fund balance of the General Fund increased during the current year by \$89,926. As noted above, fringe benefits increased slightly due to higher health insurance offset by a one the one time pension discussed previously.

### **The Library's Budget Highlights**

Over the course of the year, the Library Board amended the budget to address unplanned needs and events that occurred during the year. The amendments to revenues and expenditures are as follows:

#### Revenues

- Intergovernmental revenue –State Aid increased as anticipated cuts by the State of Michigan were not made.
- Contributions were increased due to receiving two significant contributions during the year.

#### Expenditures

- The capital outlay budget was increased by \$25,000 due to a donation from Max Busard for capital outlay.

### **Budget to Actual**

#### Revenues

- Fines and forfeitures were under budget due a greater than anticipated drop in penal fines.

#### Expenditures

- Fringe benefits came in under budget due to the one time pension credit previously discussed.
- Contracted services was less than budgeted due to incurring lower than anticipated legal fees and lower than anticipated fees increases for the Lakeland Library Cooperative.
- Capital outlay was under budget due to two project delays.

# Hackley Public Library

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## Library Management's Discussion and Analysis

### Capital Assets and Debt Administration

At the end of the fiscal year, the Library had \$642,146 invested in leasehold improvements, furniture and equipment, and books and materials net of depreciation. The Library added \$248,251 in new collection items consisting of new books, various audio/visual materials, and planned upgrades to technology. Items in the materials collection that had become obsolete were donated to the Friends of Hackley Public Library for their annual used book sale, given to another library or institution, or disposed of. The original cost of fully depreciated materials removed from the collection amounted to \$191,425.

As part of the Library's strategic long range plan, an item-by-item review ("weeding") of all Library books and audiovisual materials is being conducted by the professional staff in order to provide the public with information and recreational reading sources that are up-to-date, contemporary, and in good condition.

The Library's long-term debt activity consists of capped accumulated employee compensated absences (sick leave) to be paid to eligible employees upon retirement.

### Next Year's Anticipated Budget Factors and Currently Known Facts

As we look into the future there are several positive signs that significant renewed economic development in the City of Muskegon has begun. Within a block of the Hackley Public Library construction is underway on four new buildings and an additional four are being rehabbed. In addition, new lakefront condominiums have been built, a new motorcycle dealership has opened, and other businesses are opening a few blocks away. Since these projects have generally received tax abatements or are located in a state-defined renaissance zone, there will be no immediate significant increase in property tax revenue. The future looks brighter as this increase in economic activity will most likely lead to further economic activity which should boost the Library's property tax revenue.

On the other hand, a report issued to Michigan library directors by the Chief Deputy Treasurer of the State of Michigan in August 2007 indicates that the state's economy will not begin to rebound until 2009, and will not reach the level of the year 2000 until 2017. The unemployment rate and property foreclosures remain high in the City of Muskegon.

In 2005 the Library completed the development of a five year strategic long range plan. The Library Board, staff, community members, focus groups and comparative data were used in the development of the long range plan. Activities in the areas of collections, buildings, and technology addressed in the long range plan that will impact the Library's financial position in 2008-2009 include:

1. The facility condition analysis of the library building has been completed, and the library board has developed goals for library building improvements as well as an improvements priorities list. The next step is a feasibility study, to be conducted by contracted professionals working with library staff and board over the course of the next year. Additional repairs and improvements will be made as a result of this work.

# Hackley Public Library

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## Library Management's Discussion and Analysis

2. A book-by-book collection evaluation continues to be conducted. This project is removing unused, unsuitable and obsolete materials from the Library's collection, which is lowering the overall collection numbers which will continue to impact the Library's capital assets. The sale of some materials that do not meet the needs of Muskegon citizens will raise some funds.
3. With capital costs to be funded over three or four fiscal years, an RFID (radio frequency identification) project was begun in May 2006. When materials tagging is completed, the RFID system will allow library customers to check out their own books. The tagging of library materials was 90% complete in August 2008; significant purchases of equipment in order to implement the project are anticipated in 2008-2009 and 2009-2010.

### **Contacting the Library's Financial Management**

This financial report is designed to provide a general overview of the Library's finances for all those interested in the Library's finances. If you have any questions about this report or need additional information, contact Martha Ferriby, Director at Hackley Public Library, 316 W. Webster Avenue, Muskegon, Michigan 49440.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

September 8, 2008

Board of Directors  
Hackley Public Library  
Muskegon, Michigan

We have audited the accompanying financial statements of Hackley Public Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Hackley Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hackley Public Library as of June 30, 2008 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information and the Schedule of Funding Progress for MERS Pension Plan on pages i - v and 14 - 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Hackley Public Library  
**BALANCE SHEET—STATEMENT OF NET ASSETS**  
June 30, 2008

	Balance Sheet - Modified accrual	Adjustments	Statement of Net Assets - Full accrual
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,288,873	\$ -	\$ 1,288,873
Due from other governmental units	135,035	-	135,035
Prepaid items	19,699	-	19,699
Restricted cash	354,585	-	354,585
Capital assets, net of depreciation			
Nondepreciable	-	6,000	6,000
Depreciable	-	636,146	636,146
Total assets	<u>\$ 1,798,192</u>	642,146	2,440,338
<b>LIABILITIES</b>			
Accounts payable	\$ 45,328	-	45,328
Accrued liabilities	24,963	12,404	37,367
Total liabilities	70,291	12,404	82,695
<b>FUND BALANCE</b>			
Reserved for:			
Collection expenses	354,585	(354,585)	-
Prepaid items	19,699	(19,699)	-
Unreserved	1,353,617	(1,353,617)	-
Total fund balance	<u>1,727,901</u>	<u>(1,727,901)</u>	-
Total liabilities and fund balance	<u>\$ 1,798,192</u>		
<b>NET ASSETS</b>			
Invested in capital assets		642,146	642,146
Restricted for collection expenses		354,585	354,585
Unrestricted		1,360,912	1,360,912
Total net assets		<u>\$ 2,357,643</u>	<u>\$ 2,357,643</u>

The accompanying notes are an integral part of this statement.

Hackley Public Library  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE—STATEMENT OF ACTIVITIES**  
 Year ended June 30, 2008

	Revenues and Expenditures - Modified accrual	Adjustments	Statement of Activities - Full accrual
Revenues			
Property taxes	\$ 1,817,059	\$ -	\$ 1,817,059
Intergovernmental revenues - State	28,436	-	28,436
Fines and forfeitures	124,935	-	124,935
Charges for services	210	-	210
Investment earnings	49,828	-	49,828
Contributions	47,180	78,377	125,557
Other	19,723	-	19,723
Total revenues	2,087,371	78,377	2,165,748
Expenditures			
Current			
Salaries and wages	1,097,887	1,479	1,099,366
Fringe benefits	440,368	-	440,368
Operating supplies	60,785	-	60,785
Programs	8,448	-	8,448
Repairs and maintenance	30,347	-	30,347
Insurance	11,697	-	11,697
Dues and fees	1,363	-	1,363
Contracted services	79,382	-	79,382
Training	6,151	-	6,151
Rent	16,740	-	16,740
Telephone	11,311	-	11,311
Miscellaneous	33,091	-	33,091
Capital outlay	199,875	(169,874)	30,001
Depreciation	-	233,830	233,830
Total expenditures	1,997,445	65,435	2,062,880
Change in fund balance—net assets	89,926	12,942	102,868
Fund balance—net assets at July 1, 2007	1,637,975	616,800	2,254,775
Fund balance—net assets at June 30, 2008	\$ 1,727,901	\$ 629,742	\$ 2,357,643

The accompanying notes are an integral part of this statement.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Hackley Public Library (Library) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

***Reporting Entity***

The Library was established on March 2001 by a district library agreement between the Public Schools of the City of Muskegon (School District) and the City of Muskegon (City) pursuant to the District Library Establishment Act. The boundaries include most of the City and a small portion of Muskegon Township and the City of Norton Shores all of which comprise the School District boundaries. The Library is governed by a seven member Library Board. The School District appoints four members and the City appoints three. The Library is administered by a director appointed by the Board. The Library is primarily funded through a tax levy on property within the Library district, fines, fees and state aid.

Generally accepted accounting principles require that if the Library has certain oversight responsibilities over other organizations, those organizations should be included in the Library's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Library. Separate financial statements columns are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Library only has one fund, no separate columns have been provided.

***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Measurement Focus and Basis of Accounting—Continued***

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources.

***Assets, Liabilities and Fund Equity or Net Assets***

**Deposits and Investments**

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Library reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed and the Library intends to hold the investment until maturity.

The Library has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Library to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

**Receivables and Payables**

All property tax receivables are shown net of an allowance for uncollectibles.

Property taxes are levied on December 1 and are due without penalty on or before February 14. The property taxes attach as an enforceable lien on property as of December 1. Property taxes are collected and forwarded to the Library by the participating municipalities. Uncollected real property taxes as of the following March 1 are turned over by the participating municipalities to the County for collection. The County advances the Library all of these delinquent real property taxes. Collection of delinquent personal property taxes as of March 1 remains the responsibility of the Library. The Library recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation for real/personal property of the Library total was approximately \$726,240,000. The ad valorem taxes levied consisted of 2.4 mills for operating purposes.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include library books, periodicals, etc. and equipment, are defined by the Library as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year with exception of library books, periodicals, etc. which are all recorded as capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Fund Equity or Net Assets—Continued*

**Capital Assets—Continued**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	20-30
Library books, periodicals, etc.	5
Equipment	3
Furniture and fixtures	5-10

Art and historical treasures are not depreciated as they generally appreciate in value over time.

**Compensated Absences**

The Library's employees are granted vacation and sick leave in varying amounts based upon length of service and position. Unused vacation time does not accumulate from year to year. Sick leave is accumulated at different rates for various categories of employees. Sick leave is accumulated at proportional rates based upon the number of hours worked per month and accumulates from year to year. Unused accumulated sick leave is forfeited at the time of termination; however, upon retirement after 10 years of employment, employees may be paid up to \$3 per accumulated sick hour if varying conditions are met up to a cap of 520 hours.

**Fund Balance and Net Assets**

Reservations and restrictions represent amounts that are not appropriable or are legally segregated for a specific purpose.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the beginning of the year, the Library Director submits to the Library Board a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued**

**Budgetary Information—Continued**

- c. Not later than June 30, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Library Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund and individual revenue and expenditure line item. The legal level of budgetary control is the individual line item. The Library Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Investment Type.** The Library has one investment in an external investment pool (Pool) with a fair value of \$1,650,000. The fair value of the Library's investments is the same as the fair value of the Pool. The Pool is not regulated nor registered with the SEC.

**Interest rate risk.** The Library's formal investment policy limits its average investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates by structuring its portfolio so that securities mature to meet cash requirements and by investing in short-term securities.

**Credit risk.** The Library's investment policy limits investments in commercial paper and corporate bonds to the highest classifications issues by nationally recognized statistical rating organizations.

**Concentration of credit risk.** The Library's concentration of credit risk policy seeks to minimize loss by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** The Library's custodial credit risk policy for deposits seeks to minimize custodial credit risk by prequalifying financial institutions based upon various criteria. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of June 30, 2008, the entire deposit amount of \$27,758 was covered by federal depository insurance.

**Custodial credit risk - investments.** The Library's custodial credit risk policy for investments seeks to minimize custodial credit risk by limiting investments to those authorized by their investment policy and by prequalifying financial institutions, broker/dealers and intermediaries based upon various criteria. In an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Library's will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Library is not authorized to invest in investments which have this type of risk.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE D—CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<b>Capital assets, not being depreciated:</b>				
Art and historical treasures	\$ 6,000	\$ -	\$ -	\$ 6,000
<b>Capital assets, being depreciated:</b>				
Leasehold improvements	39,390	-	-	39,390
Library books, periodicals, etc.	3,553,389	233,894	191,425	3,595,858
Equipment	132,586	2,669	12,441	122,814
Furniture and fixtures	12,846	11,688	-	24,534
Total capital assets, being depreciated	3,738,211	248,251	203,866	3,782,596
<b>Less accumulated depreciation:</b>				
Leasehold improvements	7,812	1,770	-	9,582
Library books, periodicals, etc.	2,994,397	212,194	191,425	3,015,166
Equipment	103,170	18,987	12,441	109,716
Furniture and fixtures	11,107	879	-	11,986
Total accumulated depreciation	3,116,486	233,830	203,866	3,146,450
Total capital assets, being depreciated, net	621,725	14,421	-	636,146
Capital assets, net	\$ 627,725	\$ 14,421	\$ -	\$ 642,146

**NOTE E—COMMITMENTS**

**Public Improvement Fund**

The Library, as part of the district library agreement, is required to participate in a Public Improvement Fund established for the maintenance of the Library's facilities. As part of this agreement, the Library must contribute \$25,000 annually to the Public Improvement Fund. This \$25,000 contribution is included in capital outlay on the financial statements. The contribution is matched by the landlord.

**Facilities lease**

The Library entered into a fifty-year lease agreement for the Library's operating facilities. The lease requires annual rentals of \$1, annual payment to Public Improvement Fund noted above, and payment of all occupancy expenses. The lease can be terminated by the landlord or the Library with 48 months written notice.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**

**Pension Plan – MPSERS**

*Plan description* - The Library contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental and vision. The MPSERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to or calling:

Office of Retirement Systems  
Michigan Public School Employees Retirement System  
P.O. Box 30171  
Lansing Michigan 48909  
1-800-381-5111

*Funding policy* – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 16.72 percent of payroll. The contribution requirements of plan members and the Library are established and may be amended by the MPSERS Board of Trustees. The Library contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were approximately \$127,000, \$146,000 and \$139,000, respectively, and were equal to the required contribution for those years.

The Library is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Other post-employment benefits** – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued**

**Pension Plan – MERS**

Effective July 2004, the Library started a new pension plan for employees hired after March 2002.

*Plan description.* The Library is in an agent multiple-employer defined benefit pension plan with the Municipal Employees Retirement System (MERS). The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984 of the State of Michigan assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; that authority rests with the Library. A copy of the complete financial report and required supplemental information can be obtained by writing to:

Hackley Public Library  
316 W. Webster Avenue  
Muskegon, MI 49440

*Funding policy.* The Library is required to contribute at an actuarially-determined rate of 8.08 percent of annual covered payroll. The contribution requirements of the Library are established by MERS. Employees are not required to contribute to the Plan.

*Annual Pension Cost.* For the year ended June 30, 2008, the Library's annual pension cost of approximately \$10,420 was equal to the Library's required and actual contributions.

**Three-Year Trend Information**

<u>Year ended</u>	<u>Approximate Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/06	\$ 9,400	100 %	\$ -
6/30/07	9,700	100	-
6/30/08	10,420	100	-

The required contribution was determined as part of the December 31, 2005 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 2005 included (a) 8 percent investment rate of return (net of administrative expense), (b) projected salary increases ranging from 0 percent to 8.4 percent, and (c) 4.5 percent per year compounded annually attributable to inflation. The actuarial value of plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007 was 28 years which will be reduced by one year in each of the next eight valuations until reaching 20 years after which the 20 year period will be reestablished with each annual actuarial valuation.

Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE F—EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN—Continued**

**Pension Plan – MERS—Continued**

*Funded Status and Funding Progress.* As of December 31, 2007, the most recent actuarial valuation date, the plan was 100 percent funded. The actuarial accrued liability for benefits was approximately \$37,310, and the actuarial value of assets was approximately \$39,058, resulting in an unfunded actuarial accrued liability (UAAL) of a negative \$1,748. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$121,483, and the ratio of the UAAL to the covered payroll was zero due to the plan being overfunded.

The schedule of funding progress, presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**NOTE G—OTHER INFORMATION**

**Risk Management**

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

**NOTE H—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

<b>Total fund balance – governmental funds</b>	<b>\$ 1,727,901</b>
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Amounts reported for governmental activities in the

Statement of Net Assets are different because:

Capital assets used in governmental activities are  
not current financial resources and are not reported  
in the governmental fund.

Cost of capital assets	\$ 3,788,596	
Accumulated depreciation	<u>(3,146,450)</u>	642,146

Accrued liabilities in governmental activities are  
not due and payable in the current period and are not  
reported in the governmental funds.

Compensated absences	<u>(12,404)</u>
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Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 2,357,643</u></u>
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Hackley Public Library  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
June 30, 2008

**NOTE H—RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE  
FINANCIAL STATEMENTS—Continued**

<b>Net change in fund balances – total governmental funds</b>	<b>\$ 89,926</b>
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Amounts reported for governmental activities in the  
Statement of Activities are different because:

Contributions of capital assets are recorded as revenues in the Statement of Activities, but not in the governmental funds.	78,377
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Governmental funds report outlays for capital assets as  
expenditures; in the Statement of Activities, these costs are  
depreciated over their estimated useful lives.

Depreciation expense	\$ (233,830)	
Capital outlay	<u>169,874</u>	(63,956)

Compensated absences are reported on the accrual method in the Statement of Activities and reported as an expenditure when financial resources are used in the governmental funds.	<u>(1,479)</u>
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Change in net assets in governmental activities	<u><u>\$ 102,868</u></u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**

Hackley Public Library  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
Year ended June 30, 2008

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
Revenues				
Property taxes	\$ 1,788,207	\$ 1,791,524	\$ 1,817,059	\$ 25,535
Intergovernmental revenues - State	8,316	28,424	28,436	12
Fines and forfeitures	156,239	156,239	124,935	(31,304)
Charges for services	180	280	210	(70)
Investment earnings	51,000	51,000	49,828	(1,172)
Contributions	9,450	45,218	47,180	1,962
Other	16,800	16,800	19,723	2,923
Total revenues	2,030,192	2,089,485	2,087,371	(2,114)
Expenditures				
Current				
Salaries and wages	1,082,835	1,099,844	1,097,887	1,957
Fringe benefits	450,682	459,571	440,368	19,203
Operating supplies	52,950	52,950	60,785	(7,835)
Programs	7,100	7,100	8,448	(1,348)
Repairs and maintenance	43,000	43,000	30,347	12,653
Insurance	12,722	12,722	11,697	1,025
Dues and fees	1,375	1,375	1,363	12
Contracted services	97,368	97,768	79,382	18,386
Training	4,000	6,000	6,151	(151)
Rent	16,200	16,200	16,740	(540)
Telephone	11,500	11,500	11,311	189
Miscellaneous	34,660	40,655	33,091	7,564
Capital outlay	215,800	240,800	199,875	40,925
Total expenditures	2,030,192	2,089,485	1,997,445	92,040
Net change in fund balance	\$ -	\$ -	89,926	\$ 89,926
Fund balance at July 1, 2007			1,637,975	
Fund balance at June 30, 2008			\$ 1,727,901	

Hackley Public Library  
Required Supplemental Information  
**SCHEDULE OF FUNDING PROGRESS FOR MERS PENSION PLAN**  
For the year ended June 30, 2008

Actuarial valuation date	Actuarial value of assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
12/31/05	\$ 16,340	\$ 15,760	\$ (580)	104 %	\$ 110,883	- %
12/31/06	26,914	25,434	(1,480)	106	106,540	-
12/31/07	39,058	37,310	(1,748)	105	121,483	-

# BRICKLEY DELONG

## CERTIFIED PUBLIC ACCOUNTANTS

September 8, 2008

Board of Directors  
Hackley Public Library  
Muskegon, Michigan

In planning and performing our audit of the financial statements of Hackley Public Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hackley Public Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the attached deficiency in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of the Board, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



## **SIGNIFICANT DEFICIENCIES**

### ***General***

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Library should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.